

**CANADIAN GENERAL INVESTMENTS LIMITED**


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**1974**

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*Annual Report*

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# CANADIAN GENERAL INVESTMENTS LIMITED

## *Board of Directors* \_\_\_\_\_

RALPH M. BARFORD	M. C. G. MEIGHEN, O.B.E.
JOHN D. BARRINGTON	T. R. MEIGHEN, Q.C.
ALEX E. BARRON	JOHN C. RYKERT
DAVID L. CAMPBELL	J. ALLYN TAYLOR
DOUGLAS N. KENDALL	DONALD C. WEBSTER
A. BRUCE MATTHEWS, C.B.E., D.S.O.	PATRICK O. G. WRIGHT

## *Officers* \_\_\_\_\_

M. C. G. MEIGHEN, O.B.E.	- - - - -	<i>Chairman of the Board</i>
ALEX E. BARRON	- - - - -	<i>President</i>
JOHN C. RYKERT	- - - - -	<i>Treasurer</i>
E. LOUISE MORGAN	- - - - -	<i>Secretary</i>
PATRICK O. G. WRIGHT	- - - - -	<i>Assistant Treasurer</i>

## *Auditors* \_\_\_\_\_

PRICE WATERHOUSE & CO.	- - - - -	Toronto
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## *Registrar and Transfer Agent* \_\_\_\_\_

THE CANADA TRUST COMPANY	- - - - -	Toronto
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## *Office of Company* \_\_\_\_\_

110 YONGE STREET, SUITE 1702, M5C 1T4 (Telephone 416-366-2931) - Toronto

# CANADIAN GENERAL INVESTMENTS LIMITED

## TO THE SHAREHOLDERS:

Your Directors have pleasure in submitting the Annual Report of your Company for the year ended December 31, 1974, consisting of the Consolidated Balance Sheet, and Consolidated Statements of Income, Retained Earnings, Unrealized Gain on Investments and Changes in Net Assets.

At the Annual and Special General Meeting of shareholders of the Company held on April 11, 1974, Articles of Amendment subdividing the Company's common shares on a four-for-one basis and decreasing the authorized capital of the Company by cancelling the unissued 3% preference shares were sanctioned. The comparative figures as at December 31, 1973 have been adjusted retroactively to reflect these changes.

The Balance Sheet discloses that the total consolidated assets of the Company as at December 31, 1974 amount to \$100,861,503. From this amount is deducted accounts payable and minority interest which leaves a net value of \$100,809,013. Based on 3,843,764 common shares outstanding as at December 31, 1974, each common share had an apparent equity value of approximately \$26.23. Lower market values prevailing at December 31, 1974 have eliminated the deferred income tax liability of \$6.3 million reported last year.

The Consolidated Statement of Income discloses that your Company, after paying all expenses and providing for the minority interest, had a net income for the year of \$4,699,639. This is equivalent to \$1.22 for each of the outstanding common shares.

During 1974, Shareholders received dividends of \$1.05 per share, an increase of \$0.375 from the previous year after adjusting for the four-for-one stock split effective in April. These dividends were paid out of the Company's December 31, 1971 surplus accounts and are not subject to income tax in the hands of the shareholder. Such dividends, however, do reduce the adjusted cost base of your shares and this in turn could affect the taxable capital gain or loss resulting from any future sale of shares.



A schedule showing the percentages of the dividends paid out of tax-paid surplus and 1971 capital surplus is set out below. This information is submitted for the benefit of Canadian Corporations who are shareholders of the Company.

<u>Date</u>			<u>Tax-Paid Undistributed Income</u>	<u>1971 Capital Surplus</u>
March	15/74	- - - - -	— %	100 %
June	14	- - - - -	6.38	93.62
September	16	- - - - -	0.77	99.23
December	16	- - - - -	0.23	99.77

Your Directors have decided, for the time being, to continue paying dividends for tax purposes out of the Company's December 31, 1971 surplus accounts. Such a dividend in the amount of \$0.25 per common share, tax-free in the hands of the shareholders, has been declared payable March 14, 1975 to shareholders of record February 28, 1975.

The portfolio of investments as at December 31, 1974 is to be found on pages 10 and 11 of this report. A complete list of the securities held by the C.G.I. and Third Venture Capital Limited is shown on the last page of this report.

Submitted on behalf of the Board.

*M. C. G. McEighen*  
Chairman of the Board

*Alex E. Lamm*  
President

TORONTO, January 29, 1975.

# C A N A D I A N      G E N E R A L AND SUBSIDIARY

## *Consolidated Balance Sheet*

(Note 1)

### *Assets*

	December 31	
	1974	1973
Investments at indicated market value (Note 2):		
Securities having a quoted market value - - - - -	\$ 96,740,632	\$127,032,240
Securities not having a quoted market value - - - - -	2,826,489	3,934,748
	<u>99,567,121</u>	<u>130,966,988</u>
(Cost as at—		
December 31, 1974—\$49,436,284		
December 31, 1973—\$47,381,083)		
Short term investments, at cost plus accrued interest - - - - -	—	1,866,285
Income taxes recoverable - - - - -	15,284	—
Cash in bank - - - - -	1,279,098	399,615
	<u>\$100,861,503</u>	<u>\$133,232,888</u>

### *Liabilities and Shareholders' Equity*

Accounts payable - - - - -	\$ 1,600	\$ 32,575
Income taxes payable - - - - -	—	9,428
Minority interest in subsidiary - - - - -	50,890	54,822
Deferred income taxes (Note 4) - - - - -	—	6,350,500
Shareholders' equity:		
Capital stock (Note 5)—		
Authorized—		
4,000,000 common shares without par value		
Issued and outstanding—		
3,843,764 common shares - - - - -	24,023,525	24,023,525
Unrealized gain on investments - - - - -	50,145,672	77,246,146
Retained earnings - - - - -	26,639,816	25,515,892
	<u>100,809,013</u>	<u>126,785,563</u>
	<u>\$100,861,503</u>	<u>\$133,232,888</u>

APPROVED ON BEHALF OF THE BOARD:

M. C. G. MEIGHEN, Director  
J. ALLYN TAYLOR, Director

#### *Auditors' Report to the Shareholders of*

#### **CANADIAN GENERAL INVESTMENTS LIMITED:**

We have examined the consolidated balance sheet of Canadian General Investments Limited and its subsidiary as at December 31, 1974 and the consolidated statements of income, retained earnings, unrealized gain on investments and changes in net assets for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their net assets for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

As part of our tests referred to in the first paragraph above, we examined share certificates and other evidence supporting the investments held by the Companies as at December 31, 1974.

TORONTO, January 15, 1975.

PRICE WATERHOUSE & Co.  
Chartered Accountants

# I N V E S T M E N T S      L I M I T E D

## B Y   C O M P A N Y

### *Consolidated Statement of Income*

		Year ended December 31	
		1974	1973
Income:			
Dividends received	- - - - -	\$ 4,887,706	\$ 3,358,097
Interest earned	- - - - -	181,928	48,339
		5,069,634	3,406,436
Expenses:			
Management fee	- - - - -	316,963	334,250
Directors' fees (Note 3)	- - - - -	5,000	5,600
Miscellaneous	- - - - -	47,870	32,045
		369,833	371,895
Income before interest of minority shareholders	- - - - -	4,699,801	3,034,541
Interest of minority shareholders	- - - - -	162	151
Net income for the year	- - - - -	\$ 4,699,639	\$ 3,034,390
Net income for the year per common share	- - - - -	\$1.22	\$0.79



## *Consolidated Statement of Retained Earnings*

	Year ended December 31	
	1974	1973
Balance at beginning of year - - - - -	\$ 25,515,892	\$ 21,581,612
Net income for the year - - - - -	4,699,639	3,034,390
Gain on investments sold or redeemed, less in 1973 minority interest of \$2,625 and income taxes of \$11,792 (Note 4 (iv)) - - - - -	460,237	3,494,431
	30,675,768	28,110,433
Dividends paid on common shares - - - - -	4,035,952	2,594,541
Balance at end of year - - - - -	\$ 26,639,816	\$ 25,515,892
Dividends paid per common share - - - - -	\$1.05	\$0.675

## *Consolidated Statement of Unrealized Gain on Investments*

	Year ended December 31	
	1974	1973
(Decrease) during the year - - - - -	\$(33,455,068)	\$(13,520,944)
Less:		
Deferred income tax recovery - - - - -	6,350,500	2,634,632
Interest of minority shareholders - - - - -	4,094	17,134
	6,354,594	2,651,766
	(27,100,474)	(10,869,178)
Balance at beginning of year - - - - -	77,246,146	88,115,324
Balance at end of year - - - - -	\$ 50,145,672	\$ 77,246,146



# V E S T M E N T S      L I M I T E D

## Y COMPANY

### *Consolidated Statement of Changes in Net Assets*

	Year ended December 31	
	1974	1973
Net assets at beginning of year - - - - -	\$126,785,563	\$133,720,461
Add:		
Net income for the year - - - - -	4,699,639	3,034,390
Gain on investments sold or redeemed less in 1973 minority interest and income taxes - - - - -	460,237	3,494,431
	131,945,439	140,249,282
Less:		
Decrease in unrealized gain on investments - - - - -	27,100,474	10,869,178
Dividends paid - - - - -	4,035,952	2,594,541
	31,136,426	13,463,719
Net assets at end of year - - - - -	\$100,809,013	\$126,785,563
Gain on investments sold or redeemed:		
Cost of investments at beginning of year - - - - -	\$ 47,381,083	\$ 45,478,649
Add: Purchase of investments during year - - - - -	3,751,899	3,478,357
	51,132,982	48,957,006
Less: Cost of investments at end of year - - - - -	49,436,284	47,381,083
Cost of investments sold or redeemed during year - - - - -	1,696,698	1,575,923
Proceeds from sale or redemption of investments during year - - - - -	2,156,935	5,084,771
Gain on investments sold or redeemed before minority interest and income taxes - - - - -	460,237	3,508,848
Provision for income taxes - - - - -	—	11,792
Interest of minority shareholders - - - - -	—	2,625
	—	14,417
Net gain on investments sold or redeemed - - - - -	\$ 460,237	\$ 3,494,431
Apparent liquidating value per common share:		
At beginning of year - - - - -	\$32.98	\$34.79
At end of year - - - - -	\$26.23	\$32.98

# CANADIAN GENERAL INVESTMENTS LIMITED AND SUBSIDIARY COMPANY

## *Notes to the Consolidated Financial Statements*

DECEMBER 31, 1974

1. The consolidated financial statements include the accounts of the Company and its 90% owned subsidiary, C.G.I. and Third Venture Capital Limited.
2. The indicated market values of quoted securities are the result of pricing the Companies' holdings at the closing quoted market prices as at December 31. Such amounts do not necessarily represent the value of the total holding in any company which may be more or less than that indicated by market quotations. Securities not having a quoted market value have been included at values determined by the directors based principally on the underlying value of the assets represented by these securities.
3. No remuneration is paid by the Company to its "senior officers", as defined by the Business Corporations Act, 1970.

4. Taxation:

- (i) The Companies do not qualify as "investment corporations" as defined in Section 130 of the Canadian Income Tax Act; accordingly, they are subject to income tax as "public corporations". "Taxable dividends" received from "taxable Canadian corporations", as defined by the Act, are excluded from taxable income; one-half of gains on disposal of investments, to the extent that these have accrued since December 31, 1971, are subject to income tax at full corporate rates.
- (ii) The Company has an unrealized net capital loss for tax purposes of \$521,000 which has accrued since December 31, 1971. Dividends of \$1,167,350 received since December 31, 1971 which were paid out of "tax-paid undistributed surplus on hand" and "1971 capital surplus" of the payor corporations have been applied to reduce the adjusted cost base of the investments in the payor corporations. Provision for deferred income taxes recoverable on the unrealized net capital loss has not been made in the accounts.
- (iii) As at December 31, 1974 the parent company estimates its tax surplus categories, as defined by the Income Tax Act and subject to confirmation by the Canadian taxation authorities, to be as follows:

	(a) Tax paid Undistributed surplus (Section 89(1)(k))	(b) 1971 Capital surplus
Balance at beginning of year	\$ —	\$21,368,718
Dividends received	67,660	487,590
Tax-free dividends paid on common shares	(67,660)	(3,968,292)
Balance at end of year	<u>\$ —</u>	<u>\$17,888,016</u>

Dividends paid out of both categories (a) and (b) are not required to be included in the shareholder's income but reduce the adjusted cost base of his investment for Canadian tax purposes.

- (iv) Gains realized on investments sold or redeemed during the year include taxable gains accrued since December 31, 1971. These taxable gains have been offset for income tax purposes by expenses of \$187,553 charged in the statement of income and by the application of the available losses carried forward of \$81,408. In accordance with the accounting recommendations of the Canadian Institute of Chartered Accountants, income taxes of \$144,600 otherwise payable on the gains should have been charged to retained earnings. This practice has not been followed since it would give an unfair presentation of the net income for the year.
5. At the Annual and Special General Meeting of shareholders of the Company held on April 11, 1974, Articles of Amendment subdividing the Company's common shares on a four-for-one basis and decreasing the authorized capital of the Company by cancelling the unissued 3% preference shares were sanctioned. The comparative figures as at December 31, 1973 have been adjusted retroactively to reflect these changes.

# CANADIAN GENERAL INVESTMENTS LIMITED

## *Summary by Industry*

	VALUE AS OF DEC. 31, 1974	PERCENT OF PORTFOLIO
Finance - - - - -	\$20,421,437	20.5
Merchandising - - - - -	13,040,250	13.1
Business Forms - - - - -	11,410,000	11.5
Steel - - - - -	11,085,600	11.1
Industrial Management - - - - -	9,260,232	9.3
Investment Trust - - - - -	6,846,000	6.8
Beverages - - - - -	6,799,375	6.8
Energy - - - - -	5,903,325	5.9
Metals - - - - -	5,480,000	5.5
Miscellaneous - - - - -	3,463,245	3.5
Packing - - - - -	2,055,000	2.1
Forest Products - - - - -	1,968,750	2.0
Metal Products - - - - -	815,850	.8
Real Estate - - - - -	551,250	.6
Venture Capital - - - - -	466,807	.5
	<hr/>	<hr/>
	\$99,567,121	100.0



# CANADIAN GENERAL INVESTMENTS LIMITED

## Portfolio of Investments

AS AT DECEMBER 31, 1974

No. of Shares		Total Market Value \$	% of Portfolio	No. of Shares		Total Market Value \$	% of Portfolio
	<b>Beverages</b>	<b>6,799,375</b>	<b>6.8</b>	40,000	Royal Bank of Canada - - - -	1,040,000	
215,000	The Seagram Company Limited -	6,799,375		22,500	Toronto-Dominion Bank - - -	731,250	
					(B) FINANCE COMPANIES -	869,062	
	<b>Business Forms</b>	<b>11,410,000</b>	<b>11.5</b>	51,500	IAC Limited - - - - -	869,062	
280,000	Moore Corporation - - - -	11,410,000			(C) LIFE INSURANCE - - -	108,000	
				1,500	London Life Insurance Co. - -	108,000	
	<b>Energy</b>	<b>5,903,325</b>	<b>5.9</b>		(D) TRUST COMPANY - -	17,480,000	
	(A) OILS - - - - -	3,436,875					
20,000	Hudson Bay Oil & Gas Co. - -	340,000		760,000	Huron & Erie Mortgage Corporation - - - - -	17,480,000	
100,000	Imperial Oil Ltd. - - - -	2,187,500					
75,000	Shell Canada 'A' - - - -	909,375					
	(B) PIPELINES - - - - -	1,147,700			<b>Forest Products</b>	<b>1,968,750</b>	<b>2.0</b>
80,000	Interprovincial Pipeline - - -	920,000		90,000	MacMillan, Bloedel Ltd. - - -	1,968,750	
27,600	TransCanada PipeLines - - -	227,700					
	(C) OTHER - - - - -	1,318,750			<b>Industrial Management</b>	<b>9,260,232</b>	<b>9.3</b>
50,000	Rio Algom Mines Limited - -	950,000		730,000	Argus Corporation Class 'C' Prefd. - - - -	6,843,750	
50,000	Union Gas Limited - - - -	368,750		28,729	Ravelston Corp. Ltd. - - - -		
	<b>Finance Industry</b>	<b>20,421,437</b>	<b>20.5</b>	264,675	Ravelston Corp. Ltd. Prefd. - -	2,416,482	
	(A) BANKS - - - - -	1,964,375					
15,000	Bank of Montreal - - - -	193,125					

Note: Argus Corporation holds shares in the following companies: British Columbia Forest Products, Dominion Stores, Domtar Limited, Hollinger Mines, Massey-Ferguson and Standard Broadcasting Corp. Ltd.

# CANADIAN GENERAL INVESTMENTS LIMITED

No. of Shares		Total Market Value \$	% of Portfolio	No. of Shares		Total Market Value \$	% of Portfolio
	<b>Investment Trust</b>	<b>6,846,000</b>	<b>6.8</b>		<b>Packing</b>	<b>2,055,000</b>	<b>2.1</b>
652,000	Third Canadian General Investment Trust Limited - -	6,846,000		120,000	Canada Packers Limited 'C' - -	2,055,000	
	<b>Merchandising</b>	<b>13,040,250</b>	<b>13.1</b>		<b>Real Estate</b>	<b>551,250</b>	<b>.6</b>
270,000	Canadian Tire Corporation 'A' Prefd. - - - - -	10,023,750		35,000	Trizec Corporation - - - - -	551,250	
7,000	Cochrane-Dunlop Hardware - -	259,000			<b>Steel</b>	<b>11,085,600</b>	<b>11.1</b>
360,000	Simpsons Limited - - - - -	2,385,000		228,299	Algoma Steel Corp. - - - - -	5,707,475	
20,000	Woodward Stores Ltd. - - - -	372,500		100,000	Dominion Foundries & Steel - -	2,175,000	
				125,000	Steel Co. of Canada - - - -	3,203,125	
	<b>Metal Products</b>	<b>815,850</b>	<b>0.8</b>		<b>Venture Capital</b>	<b>466,807</b>	<b>.5</b>
220,500	Hayes Dana Ltd. - - - - -	815,850			(see p. 12)		
	<b>Metals</b>	<b>5,480,000</b>	<b>5.5</b>		<b>Miscellaneous</b>	<b>3,463,245</b>	<b>3.5</b>
	(A) BASE METALS - - - -	2,205,000		3,000	Cdn. Gen. Elec. Pref. - - - -	52,500	
90,000	Cominco Ltd. - - - - -	2,205,000		80,000	Extendicare (CDA) Ltd. - - -	268,000	
	(B) OTHER METALS AND MINERALS - - - - -	3,275,000		31,300	Kenting Limited - - - - -	114,245	
100,000	Alcan Aluminium Ltd. - - - -	1,962,500		90,000	Scott's Restaurants Ltd. - - -	427,500	
62,500	International Nickel Co. Canada	1,312,500		96,000	Southam Press Ltd. - - - - -	2,232,000	
				36,000	D. A. Stuart Oil Co. Ltd. - - -	369,000	

# C.G.I. AND THIRD VENTURE CAPITAL LIMITED

## Authorized Capital—

10,000 6% non-cumulative, non-voting preference shares with a par value of \$100 each redeemable at the amount paid up thereon.

100,000 common shares without par value.

## Issued and outstanding—

5,000 preference shares

100,000 common shares.

As at December 31, 1974 Canadian General Investments Limited held 4,500 preference shares and 90,000 common shares for a total investment of \$540,000. Third Canadian General Investment Trust Limited held 500 preference shares and 10,000 common shares for a total investment of \$60,000. There are no other shareholders.

## Portfolio of Investments

AS AT DECEMBER 31, 1974

No. Shares		Class	Total Value
*44,000	Applied Digital Data Systems - - - - -	Common	\$95,000
1,000	Gestalt Int'l. Ltd. (previously Hoborough Ltd.) - - - - -	Preferred	2,000
*10,000	Helix Investments Ltd. - - - - -	Common	10,000
*10,000	Helix Investments Ltd. - - - - -	Preferred	100,000
*77,521	Hermes Electronics Ltd. - - - - -	Common	90,007
* 2,000	Hermes Electronics Ltd. - - - - -	Preferred	40,000
50,000	Ionarc Smelters Ltd. - - - - -	Common	7,000
5,000	Leigh Instruments Ltd. - - - - -	Common	6,800
1,000	MacLean Hunter Cable TV - - - - -	Common	6,000
* 5,000	Oxyplast Limited - - - - -	Common	25,000
25,000	Spar Aerospace Products Ltd. - - - - -	Common	35,000
* 5,000	Venturetek International Limited - - - - -	Common	50,000
	Sub-total - - - - -		466,807
	Cash held for investment - - - - -		31,446
			<u>\$498,253</u>

\*\*The major portion (40,000) of the Company's holdings of Applied Digital Data Systems is restricted from current sale by S.E.C. ruling and therefore have been valued at \$2.00 per share. The remaining shares have been valued at current market price.

\*NOTE: Securities not having a quoted market value have been included at values determined by the Directors based principally on the underlying value of the assets represented by these securities.





